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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15 (d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended February 28, 1992 Commission File No. 0-15587

EA Engineering, Science, and Technology, Inc.
(Exact Name of Registrant as Specified in its Charter)

| Delaware | 52-0991911 |
|---|---|
| (State or other jurisdiction of incorporation or organization) | (IRS Employer Identification No.) |

| 11019 McCormick Road, Hunt Valley, Maryland | 21031 |
|---|---|
| (Address of Principal Executive Offices) | (Zip Code) |

Registrant's telephone number including area code (410) 584-7000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ___

Number of Shares of Registrant's Common Stock Outstanding at April 13, 1991 2,458,606

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EA ENGINEERING, SCIENCE, AND TECHNOLOGY, INC. & SUBSIDIARIES

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## PART I - FINANCIAL INFORMATION

The consolidated financial statements included herein for EA Engineering, Science, and Technology, Inc. & Subsidiaries (the "Company") have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. In management's opinion, the interim financial data presented includes all adjustments (which include only normal recurring adjustments) necessary for a fair presentation. Certain information and footnote disclosures normally included in the consolidated financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. However, the Company believes that the disclosures are adequate to understand the information presented. It is suggested that these consolidated financial statements be read in conjunction with the Company's August 31, 1991 consolidated financial statements and notes thereto included in the Company's annual report on Form 10-K dated November 22, 1991.

EA ENGINEERING, SCIENCE, AND TECHNOLOGY, INC. & SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

ASSETS

| | February 28, 1992 (Unaudited) | August 31, 1991 |
|---|---|---|
| **CURRENT ASSETS:** | | |
| Cash and cash equivalents | $ 1,110,400 | $ 1,393,000 |
| Accounts receivable, net | 15,051,500 | 13,882,700 |
| Costs and estimated earnings in excess of billings on uncompleted contracts (Note 1) | 6,432,300 | 9,852,900 |
| Prepaid expenses and other | 1,600,600 | 978,000 |
| Total Current Assets | 24,194,800 | 26,106,600 |
| **PROPERTY AND EQUIPMENT**, at cost (Note 1): | | |
| Furniture, fixtures and equipment | 11,493,700 | 11,118,500 |
| Leasehold improvements | 3,358,900 | 3,283,200 |
| | 14,852,600 | 14,401,700 |
| Less-Accumulated depreciation and amortization | (10,027,600) | (9,379,700) |
| Net Property and Equipment | 4,825,000 | 5,022,000 |
| **OTHER ASSETS**, net of amortization (Note 6) | 1,287,400 | 2,112,100 |
| Total Assets | $30,307,200 | $33,240,700 |

The accompanying notes are an integral part of these balance sheets.

EA ENGINEERING, SCIENCE, AND TECHNOLOGY, INC. & SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

LIABILITIES AND STOCKHOLDERS' EQUITY

| | February 28, 1992 (Unaudited) | August 31, 1991 |
|---|---|---|
| **CURRENT LIABILITIES:** | | |
| Short-term borrowings (Note 2) | $ 6,605,000 | $ 8,346,400 |
| Current portion of long-term debt | 617,600 | 476,100 |
| Accounts payable | 3,129,600 | 3,813,500 |
| Accrued expenses | 1,218,000 | 858,300 |
| Accrued salaries, wages and benefits | 2,997,700 | 2,757,600 |
| Billings in excess of costs and estimated earnings on uncompleted contracts (Note 1) | 1,000,800 | 834,300 |
| Total Current Liabilities | 15,568,700 | 17,086,200 |
| **LONG-TERM DEBT**, net of current portion | 2,745,200 | 2,866,100 |
| **COMMITMENTS AND CONTINGENCIES** (Note 3) | | |
| **STOCKHOLDERS' EQUITY** (Note 5): | | |
| Common stock, $.01 par value; 10,000,000 shares authorized; 2,575,506 shares issued | 25,800 | 25,700 |
| Preferred stock, $.01 par value; 8,000,000 shares authorized; none issued | – | – |
| Capital in excess of par value | 8,769,100 | 8,725,500 |
| Retained earnings | 3,763,000 | 5,101,800 |
| Less: Treasury stock, 116,900 shares at cost | (564,600) | (564,600) |
| Total Stockholders' Equity | 11,993,300 | 13,288,400 |
| Total Liabilities and Stockholders' Equity | $ 30,307,200 | $ 33,240,700 |

The accompanying notes are an integral part of these balance sheets.

EA ENGINEERING, SCIENCE, AND TECHNOLOGY, INC. & SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

| | Three Months Ended February 28, | | Six Months Ended February 28, | |
|---|---|---|---|---|
| | 1992 | 1991 | 1992 | 1991 |
| Total revenue (Note 1) | $12,587,900 | $12,838,000 | $26,765,000 | $25,937,700 |
| Less: Subcontractor costs | 1,813,300 | 1,729,400 | 3,928,400 | 3,935,900 |
| Net revenue | 10,774,600 | 11,108,600 | 22,836,600 | 22,001,800 |
| Operating expenses: | | | | |
| Direct salaries and other operating | 10,101,300 | 9,306,000 | 20,287,900 | 18,676,400 |
| General and administrative | 1,809,800 | 1,462,900 | 3,356,900 | 2,633,500 |
| Restructuring (Note 6) | 619,000 | -- | 619,000 | -- |
| Total operating expenses | 12,530,100 | 10,768,900 | 24,263,800 | 21,309,900 |
| Income (loss) from operations | (1,755,500) | 339,700 | (1,427,200) | 691,900 |
| Other income and expense: | | | | |
| Interest income | 53,100 | 39,100 | 100,200 | 52,300 |
| Interest expense | (277,400) | (166,700) | (581,800) | (378,600) |
| Other income and expense, net | (224,300) | (127,600) | (481,600) | (326,300) |
| Income (loss) before income taxes | (1,979,800) | 212,100 | (1,908,800) | 365,600 |
| Provision for (benefit from) income taxes | (598,400) | 84,900 | (570,000) | 146,300 |
| Net income (loss) | $ (1,381,400) | $ 127,200 | $ (1,338,800) | $ 219,300 |
| Net income (loss) per share (Note 4) | $(0.56) | $0.05 | $(0.54) | $0.09 |
| Weighted average shares outstanding | 2,476,100 | 2,451,500 | 2,476,100 | 2,451,500 |

The accompanying notes are an integral part of these statements.

EA ENGINEERING, SCIENCE, AND TECHNOLOGY, INC. & SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

| | Six Months Ended February 28, | |
|---|---|---|
| | 1992 | 1991 |
| CASH FLOWS FROM (USED FOR) OPERATING ACTIVITIES: | | |
| Net income (loss) | $(1,338,800) | $ 219,300 |
| Noncash expenses included in net income (loss)- | | |
| Depreciation and amortization | 1,411,700 | 857,700 |
| Net (increase) decrease in noncash assets - | | |
| Accounts receivable, net | (1,168,800) | 3,595,900 |
| Costs and estimated earnings in excess of billings on uncompleted contracts | 3,420,600 | (966,200) |
| Prepaid expenses and other | 163,000 | (398,100) |
| Net increase (decrease) in nondebt liabilities- | | |
| Accounts payable and accrued expenses | (84,100) | 5,100 |
| Income taxes paid | (62,100) | (719,100) |
| Provision for (benefit from) income taxes | (570,000) | 146,300 |
| Billings in excess of costs and estimated earnings on uncompleted contracts | 166,500 | 195,000 |
| Deferred income, net | -- | (13,500) |
| Net cash flows from (used for) operating activities | 1,938,000 | 2,922,400 |
| CASH FLOWS FROM (USED FOR) FINANCING ACTIVITIES: | | |
| Short-term borrowings, net of repayments | (1,741,400) | (2,246,100) |
| Proceeds from issuance of long-term debt | 217,700 | 1,748,700 |
| Reduction of long-term debt | (197,100) | (320,900) |
| Proceeds from issuance of common stock | 43,700 | -- |
| Net cash flows from (used for) financing activities | (1,677,100) | (818,300) |
| CASH FLOWS FROM (USED FOR) INVESTING ACTIVITIES: | | |
| Purchase of property and equipment, net | (543,500) | (2,096,100) |
| Net cash flows from (used for) investing activities | (543,600) | (2,096,100) |
| NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS | (282,600) | 8,000 |
| CASH AND CASH EQUIVALENTS, beginning of period | 1,393,000 | 1,211,100 |
| CASH AND CASH EQUIVALENTS, end of period | $ 1,110,400 | $ 1,219,100 |

The accompanying notes are an integral part of these statements.

EA ENGINEERING, SCIENCE, AND TECHNOLOGY, INC. & SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED FEBRUARY 28, 1992 AND 1991
(Unaudited)

**Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

Basis of Presentation--

The accompanying consolidated financial statements present the accounts of EA Engineering, Science, and Technology, Inc. (EA) and its wholly-owned subsidiaries EA Remediation Technologies, Inc. (EA RTI) and EA Financial, Inc. The entities are collectively referred to herein as the "Company." All significant intercompany transactions have been eliminated in consolidation.

Revenue Recognition--

The Company is a multidisciplinary environmental services and consulting engineering organization providing a wide range of consulting, engineering, remediation, and analytical services. These services are generally performed under time and material, fixed price and cost plus fixed fee contracts which vary in length from one month to two years.

The Company accounts for contract revenues and costs under fixed price contracts using the percentage-of-completion method. The percentage-of-completion is determined using the "cost-to-cost" method for each contract cost component. Under this method, direct labor and other contract costs incurred to date are compared to periodically revised estimates of the total of each contract cost component at contract completion to determine the percentage of revenues to be recognized. Revenues from time and material and cost plus fixed fee contracts are recognized currently as the work is performed. Provision for estimated losses on uncompleted contracts, to the full extent of the loss, is made during the period in which the Company first becomes aware that a loss on a contract is probable.

Contract costs and estimated earnings recognized in excess of amounts billed are classified as current assets under "costs and estimated earnings in excess of billings on uncompleted contracts." Billings in excess of contract costs and estimated earnings are classified as current liabilities under "billings in excess of costs and estimated earnings on uncompleted contracts."

Generally, contracts provide for the billing of costs incurred and estimated fees on a monthly basis. Amounts included in "costs and estimated earnings in excess of billings on uncompleted contracts" in the accompanying financial statements will be billed within twelve months of the balance sheet date.

Property and Equipment--

Property and equipment are depreciated using the straight-line method over their estimated useful lives ranging from 3 to 10 years.

Segment Information--

The Company operates within one industry segment, providing a wide range of consulting, engineering, remediation, and analytical services.

Reclassifications--

Certain prior year balances have been reclassified to conform with current year presentation.

**Note 2. SHORT-TERM BORROWINGS:**

EA maintains a $12,500,000 revolving line of credit arrangement with a bank. Borrowings under this arrangement bear interest at the bank's prime interest rate. Borrowings information for the six months ended February 28, 1992 and 1991 is as follows:

| | Six Months Ended February 28, | |
|---|---|---|
| | 1992 | 1991 |
| Balance as of end of period | $ 6,605,000 | $4,701,400 |
| Maximum amount outstanding during the period | 10,561,600 | 8,854,500 |
| Average outstanding month-end balance during the period | 8,156,600 | 4,794,900 |
| Weighted average interest rate during the period | 7.4% | 9.8% |

**Note 3. COMMITMENTS AND CONTINGENCIES:**

Lease Commitments --

EA's central office, laboratory facilities, and regional offices and certain furniture and equipment are held under operating leases. These leases expire at various dates through fiscal 2002. Certain of the leases call for proportionate increases due to property taxes and certain other expenses.

On December 1, 1991, the Company renewed its lease for its Sparks, Maryland, location with a partnership consisting of the Chairman of EA and certain members of his family for a term of 10 years with an option to renew for an additional five-year period.

The minimum lease commitments under noncancellable operating leases are as follows:

| Year Ending August 31, | |
|---|---|
| 1992 | $3,919,600 |
| 1993 | 2,853,200 |
| 1994 | 2,009,000 |
| 1995 | 1,473,500 |
| 1996 | 1,075,600 |
| 1997 and thereafter | 5,186,100 |
| Total minimum payments | $16,517,000 |

Contingencies--

A review of the Company's tax filings by the Internal Revenue Service has resulted in a settlement of approximately $100,000 which is reflected in the accompanying financial statements as of February 28, 1992.

**Note 4. NET INCOME (LOSS) PER SHARE:**

Net income (loss) per share amounts are based on the weighted average number of shares of common stock and common stock equivalents outstanding during the period.

**Note 5. STOCK OPTION AND EMPLOYEE STOCK PURCHASE PLANS:**

The Company maintains a Stock Option Plan (the "Plan"), which provides for the grant of non-qualified stock options to certain key employees and officers of the Company. A total of 300,000 shares of Common Stock have been reserved for issuance under the Plan of which options for 158,000 shares were outstanding as of February 28, 1992. The exercise price of the outstanding options as of February 28, 1992 was between $4.50 and $8.56 per share. The exercise price of an option granted under the Plan may not be less than the fair market value of the underlying shares of Common Stock on the date of the grant. Stock appreciation rights may be granted only in tandem with the grant of an option.

On April 1, 1988, EA adopted the 1988 Non-Employee Director Stock Option Plan which provided for the granting of nonqualified stock options for a total of 6,000 shares of Common Stock to three of its non-employee directors. The exercise price of the options, all of which were outstanding as of February 28, 1992, was $6.75 which equaled the fair market value at the date of grant.

On December 1, 1991, the Company adopted an Employee Stock Purchase Plan to provide eligible employees with the opportunity to purchase shares of the Company's Common Stock through voluntary payroll deductions. A total of 250,000 shares of Common Stock have been reserved for issuance. Under the Plan, eligible employees may purchase shares through monthly payroll deductions at 95% of current market value at the time of purchase. The Company pays all administrative expenses related to employee purchases. As of February 28, 1992, approximately 7,100 shares were issued under the Plan.

**Note 6. COMPANY RESTRUCTURING:**

During the second quarter, the Company commenced a major organizational realignment by restructuring its operations into national businesses representing its major services to clients.

The restructuring included a review of all of the Company activities and resulted in the decentralization of select corporate activities and the elimination of certain services not expected to contribute to the future strategic objectives of the Company, including the sale of certain assets and activities formerly associated with the building systems group of EA Mueller.

The restructuring expenses include the write-off of certain intangible assets and accruals for other anticipated expenses.

**Results of Operations**

The Company's results of operations are significantly affected by the timing of the award of contracts, the timing of performance on contracts, and the extent to which the Company's employees are performing on contracts as opposed to engaging in other required tasks. Due to these factors, the results of operations for interim periods are not necessarily indicative of the results of operations for longer periods and interim period comparisons may not be as meaningful as comparisons over longer periods.

Three Months Ended February 28, 1992 -

Net revenue for the three months ended February 28, 1992 was $10,774,600, a decrease of 3.0% in net revenue from $11,108,600 for the same period in 1991. The decrease was due to national recessionary pressures impacting the environmental services marketplace.

Direct salaries and other operating costs increased 8.5% to $10,101,300 from $9,306,000, and to 93.8% from 83.8% as a percentage of net revenue for the three months ended February 28, 1992 and 1991, respectively. The increase as a percentage of net revenue was attributable to decreased availability of contract activity at certain of the Company's locations. Several of the Company's locations were also involved in higher than normal proposal activities.

General and administrative costs increased to $1,809,800 from $1,462,900, representing 16.8% and 13.2% of net revenue, respectively. This increase was related primarily to additional personnel costs associated with national marketing, organizational planning, and information systems activities.

During the second quarter, the Company commenced a major organizational realignment by restructuring its operations into national businesses representing its major services to clients. The restructuring included a review of all of the Company activities and resulted in the decentralization of select corporate activities and the elimination of certain services not expected to contribute to the future strategic objectives of the Company, including the sale of certain assets and activities formerly associated with the building systems group of EA Mueller. The restructuring expenses include the write-off of certain intangible assets and accruals for other anticipated expenses.

As a result of the above factors, the loss from operations for the three months ended February 28, 1992, was $1,755,500 or 16.3% of net revenue compared to income from operations of $339,700 or 3.1% of net revenue for the three months ended February 28, 1991. Other, net expense increased to $224,300 from $127,600 in the prior year. The net increase in expense is primarily due to higher interest expense resulting from increases in the Company's short-term borrowings and debt financing used for capital and laboratory expansion activities.

The (benefit from) provision for income taxes was $(598,400) and $84,900 for the three months ended February 28, 1992 and 1991, representing effective rates of 30.0% and 40.0%, respectively. The lower effective rate for 1992 results from the non-deductible writeoff of goodwill and reflects a settlement with the IRS related to a review of the Company's tax filings.

Net loss for the three months ended February 28, 1992 was $1,381,400 or 12.8% of net revenue versus net income for the three months ended February 28, 1991 of $127,200 or 1.1% of net revenue.

Six months ended February 28, 1992 -

Net revenue for the six months ended February 28, 1992 was $22,836,600, an increase of 3.8% over net revenue of $22,001,800 for the same period in 1991. The slowed growth rate in net revenue over the prior six-month period is due to continued national recessionary pressures.

Direct salaries and other operating costs increased to $20,287,900 from $18,676,400 and increased as a percentage of net revenue to 88.8% from 84.9% for the six months ended February 28, 1992 and 1991, respectively. This increase as a percentage of net revenue is related primarily to decreased availability of contract activity particularly during the second quarter at certain of the Company's locations. Several of the Company's locations were also involved in higher than normal proposal activities.

General and administrative costs increased to $3,356,900 from $2,633,500 representing 14.7% and 12.0% of net revenue, respectively. This increase was related primarily to additional personnel costs associated with national marketing, organizational planning, and information systems activities.

As a result of the above factors, loss from operations for the six months ended February 28, 1992 was $1,427,200 compared to income from operations of $691,900 for the six months ended February 28, 1991. Other, net expense increased to $481,600 from $326,300 in the prior year. The net increase in expense is primarily due to the increase in short-term borrowings and debt financing used for capital and laboratory expansion activities.

The (benefit from) provision for income taxes was $(570,000) and $146,300 for the six months ended February 28, 1992 and 1991, representing effective rates of 30.0% and 40.0%, respectively. The lower effective rate for 1992 results from the non-deductible writeoff of goodwill and reflects a settlement with the IRS during the second quarter.

Net loss for the six months ended February 28, 1992 was $1,338,800 versus net income for the six months ended February 28, 1991 of $219,300.

In February 1992, the Financial Accounting Standards Board issued a new standard on accounting for income taxes. Under the standard, deferred tax liabilities must be carried at enacted tax rates rather than the rates in effect when the liabilities were incurred. The Company is required to adopt the new accounting standard no later than its fiscal year ending August 31, 1994, although earlier implementation is permitted. Any adjustment that may result from the adoption of the new standard may be reported in the year the standard is implemented or in an earlier year if the Company elects retroactive application.

The Company expects to adopt the new standard effective during fiscal 1994, and does not plan to restate prior periods. Based on current tax rates and a preliminary review, management expects that implementation of the new standard will not have a material effect on net income.

**Liquidity and Capital Resources**

The Company finances its operations principally through cash flow from operations and bank financing. Funds have been used to finance growth in receivables and other operating activities. The Company's capital expenditures, consisting primarily of purchases of equipment and leasehold improvements, were approximately $543,500 and $2,096,100 for the six months ended February 28, 1992 and 1991, respectively.

At February 28, 1992, the Company had outstanding long-term debt totaling $3,362,800, which represented a net increase of $20,600 from the August 31, 1991 balance of $3,342,200.

Stockholders' equity decreased by approximately $1,295,100 to $11,993,300 as the result of the net loss of $1,338,800 and stock issuance of $43,700 for the six months ended February 28, 1992.

The Company's existing funds, primarily short-term investments, cash generated from operations, leasing, and the unused portion of its $12.5 million bank line of credit, are expected to be sufficient to meet the Company's present and reasonably foreseeable cash needs. Specifically, the Company has approximately $1.5 million in existing loan availability for future purchases of leases of capital equipment, and in general, the Company has access to capital equipment financing arrangements through various suppliers.

While the Company believes that there is sufficient market demand to absorb its contracting capacity, there can be no assurance that this demand will continue to exist. Although the Company has the ability to reduce its professional staff in periods of reduced demand, it may choose not to make full reductions in such periods, with resulting adverse effects on operations.

## PART II - OTHER INFORMATION

Item 6

(a) Exhibits

None

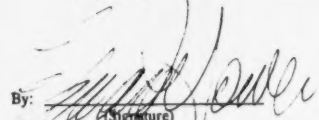
(b) Reports on Form 8-K

None

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

EA Engineering, Science, and
Technology, Inc. & Subsidiaries
(Registrant)

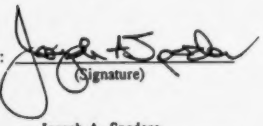
April 13, 1992

By: 
(Signature)

Edward V. Lower

President and
Chief Operating Officer
(Title)

April 13, 1992

By: 
(Signature)

Joseph A. Spadaro

Executive Vice President,
Chief Financial Officer
(Title)